

Westward Group Abrasive Tools sale in Paris - KKR takes over French steel abrasives maker

[KKR](#) has seized control of French steel abrasives maker Winoa in a debt restructuring of the company after its previous private equity owner refused to inject cash.

The deal is an indication of more restructurings in Europe as lenders become less accommodating after years of extending the loans of struggling leveraged buyouts in the aftermath of the financial crisis, according to Mubashir Mukadam, head of special situations for KKR in Europe.

"Banks in Europe are less willing to amend and extend, they want new money," Mr Mukadam told the Financial Times. "Winoa is a very good business with an incredible market share globally but with an unbearable capital structure. It needs capital now when Europe is showing signs of recovery."

Winoa, formerly known as [Wheelabrator Allevard](#), had been in discussions with its creditors and owner for about a year to renegotiate its loans or be sold when KKR bought more than 50 per cent of the debt at a discount from banks ready to take on losses to exit the credit.

The New York-based buyout group sought a controlling stake in the company in exchange for slashing the debt and injecting additional capital in a rare consensual deal with the owner, [LBO France](#), which has received an undisclosed financial compensation.

In the deal, Winoa's debt will be cut from €340m, or nearly 7 times earnings before interest, tax, depreciation and amortisation, to €188m, and it will receive €60m in cash. KKR will find itself in the unusual position of holding the majority of both the debt and equity in Winoa until the company can issue a bond to refinance its loans.

[Private equity groups](#) including KKR, Apollo, Oaktree and Blackstone, are seeking to take advantage of a dearth of credit in Europe to lend to companies or take control of them after buying their debt. They want to fill the void left by European banks that are cutting assets and curbing lending to meet more stringent regulatory capital.

KKR's special situations and direct lending teams have invested about €3bn in European credit over the past 3 years. Recent deals have included a €350m financing package for Hilding Anders, a Swedish beds maker, and a €320m facility to Spanish building material company Uralita.

LBO France, which is seeking to raise a new fund after its flagship vehicle ran out of money, bought Winoa from Paris-based group Wendel in 2005 for €415m. Two years later, on the eve of the financial crash, it took a dividend by adding debt to the company, returning about half of its initial investment – in a so-called dividend recapitalisation. The maker of abrasives for the metal and stone industries has since grappled with its debt load throughout the downturn.

Earlier this year, LBO France also ceded control of French clay tile and brick maker Terreal after creditors including Goldman Sachs and Park Square agreed to cut the company's debt burden by more than half.